



L. JOYCE HAMPERS
COMMISSIONER

The Commonwealth of Massachusetts

Department of Revenue

Leverett Saltonstall Building,

100 Cambridge Street, Boston 02204

September 1, 1981

You request a ruling concerning the Massachusetts income taxation of interest from agreements commonly called "bank repurchase agreements."

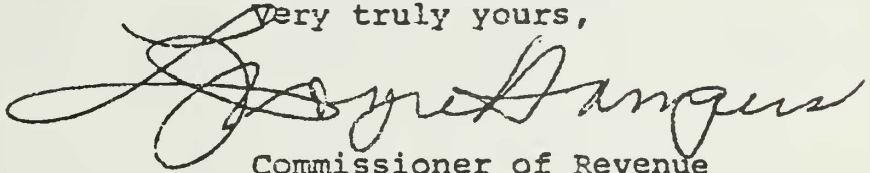
A bank repurchase agreement is a loan by a customer to the bank for a term of less than 90 days and bearing interest at a specified rate. The terms of the agreement provide that it is secured by certain Treasury Bills or other obligations of the federal government owned by the Bank. The customer does not receive the actual government obligations securing the investment. Bank repurchase agreements are not deposits and are not insured by the Federal Deposit Insurance Corporation.

General Laws Chapter 62, Section 2 defines Massachusetts gross income as federal gross income with certain modifications which are not here relevant. Massachusetts gross income is divided into Part A taxable income, which is taxed at the rate of 10% and Part B taxable income, which is taxed at the rate of 5%. Part A income is composed of dividends, net capital gain, and interest other than interest on savings deposits in banking institutions in Massachusetts. Part B income is all other income subject to taxation.

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Based on the foregoing it is ruled that interest on bank repurchase agreements is Part A income, taxable at the rate of 10% plus surtax.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Royce D. Angers".

Commissioner of Revenue

LJH:RSF:mf

LR 81-82